



Subject: ACCOUNTING FOR GRANTS PAID THROUGH MANAGEMENT FUNDS

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10-50-10 BACKGROUND

Section 6 of Public Law 89-105, approved August 4, 1965, (32 USC 553) authorizes the use of special accounts for the payment of DHEW grants. Under this authority, no-year management funds have been established for use by the Office of Education, and the Public Health Service. Within the PHS a separate fund has been established for the National Institutes of Health. This fund is used to pay NIH grants and also grants of other HEW agencies which are awarded to institutions of higher education and nonprofit organizations.

10-50-20 CONCEPTS AND GUIDELINES

The management fund, as used under the above-cited authority, constitutes a fiscal device designed to facilitate the maintenance of cash balances in grantee institutions at a level commensurate only with their needs for current cash disbursements. The use of such a management fund is restricted to situations where (1) the various grant programs are financed from a number of appropriations and (2) the direct charging of payments under the cash demand or letter-of-credit system, therefore, is not feasible. The following concepts and guidelines apply to all accounting for grants which are paid through a management fund:

1. Advances from the program appropriations to the Grant Management Fund must be made monthly and scheduled to correspond approximately with performance by the grantee. Such advances, therefore, will closely parallel the cash payments from the Grant Management Fund to the grantees, since all such payments which are significant in amount will be made on the basis of the grantees' cash needs for immediate disbursement purposes only, either under letter-of-credit or monthly cash demand procedures.
2. The Grant Management Fund is a funding account only and therefore will not reflect accruals, obligations, and expenditures in the usual sense.
3. Flow-back data will be provided from the Grant Management Fund to the program financing appropriations to support advances, accrued expenditures, and liquidation of obligations.

4. Because monthly reporting by grantees may be too burdensome, reporting by grantees generally will be quarterly. However, reasonable estimates will be made by the Federal agency and will be used for monthly accrual purposes, subject to quarterly adjustment to actual upon receipt of the grantees' quarterly reports.

10-50-30 ACCOUNTING PROCEDURES

The following accounting practices and procedures will be followed in accounting for grants paid through a management fund:

1. Obligation - Program Appropriations
Accounting for a grant begins with the execution of an agreement or approval of an award or similar document in which the amount and purposes of the grant, the performance period, the obligations of the parties to the grant and other applicable basic terms are set out. (Contracts involving advance payments may be included in this funding system.) Grant awards will be recorded as obligations incurred in the program appropriation (pro forma entry No. 2, Exhibit 10-50-1).
2. Advance Payment to GMF
Cash advances to the management fund will be based on the estimated average expenditure rate. For new grants this will be determined by dividing the month-life (9, 12, 18, etc.) of the grant award into the amount of the award. For those grants where expenditure data is available from the grantee, the average monthly expenditure rate will be used. (Advances will not be recorded as liquidations and payments against the obligations (grant awards), but just as an advance of funds. (See Entry 3-Exhibit 10-50-1).)
3. Advance Payments to Grantees (GMF Control Accounts)
Payments to grantees in advance of work performed shall be accounted for as advances from the Grant Management Fund until evidence of performance has been received from the grantee. These advance payments will be established on the basis of Forms SF-218, Payment Voucher on Letter of Credit or SF-1166, Voucher and Schedule of Payments. (See pro forma entry 4, Exhibit 10-50-1).
4. Monthly Accrual-Program Appropriation
The outgo from the Grant Management Funds (other than NIH) as evidenced by Form SF-218 will be accrued on a monthly basis and recorded in the accounts of the program appropriations as an expense contra to accounts payable; also as a blanket liquidation and expenditure against related obligations (grant awards) at the program level. An accrual entry will be made each month. (See entries 5a and 5b, Exhibit 10-50-1). As the

quarterly expenditure reports are received from the grantees the blanket accruals will be reduced and the actual expenditures and liquidations will be recorded against the specific obligations (grant awards). (See entries 6a and 6b, Exhibit 10-50-1).

In the NIH system, the computer will generate monthly estimates of accrued expenditures using actual expenditure data where available and pro rata amounts for grants for which no expenditure data is available. These monthly estimates will be used for recording accrued expenditures in the accounts of the program appropriations serviced by the fund. They will also be used by NIH as the basis for billing the program agencies for the next month's advances. (See entries 5a and 5b, Exhibit 10-50-1).

5. Quarterly Report of Expenditures under advance payment of grants shall be required of grantees each quarter to show as a minimum, cumulative expenditures to date for each grant and a summary reconciliation of cash. Upon acceptance by the letter-of-credit agency, such reports shall be used as a basis for:
 - (a) GMF - liquidation of equivalent amount of outstanding advances to private concerns and advance from program appropriation,
 - (b) Program appropriations - reduction of accounts payable and advances to GMF: adjustment of accrued expense to actual; and, adjustment of budgetary accounts-expended funds, and unliquidated obligations, to actual. (See pro forma entries 6a and 6b, Exhibit 10-50-1).
6. Pro forma Entries and Report on Budget Status, SF-113
 - (a) The pro forma entries for both the program appropriations and management funds have been included as Exhibit 10-50-1.
 - (b) The effects of the pro forma entries for a program appropriation as presented in "T" accounts and a trial balance have been included as Exhibit 10-50-2 and for a management fund as Exhibit 10-50-5.
 - (c) An identification of the general ledger accounts and how the data is used in the preparation of SF-133 for a program appropriation has been included as Exhibit 10-50-3 and for a management fund as Exhibit 10-50-6.

- (d) A sample of a completed SF-133 for a program appropriation has been included as Exhibit 10-50-4 and for a management fund as Exhibit 10-50-7.

LETTER -OF-CREDIT PRO-FORMA ENTRIES

<u>Action</u>	<u>Program Appropriation</u>	<u>Grant Management Fund</u>
1. Appropriation, Apportionment, Allotment, and Allowance	DR: 101.1 Disbursing Funds Disbursements \$10,000,000 CR: 461.1 Unobligated Allowances 10,000,000	
2. Obligation-Award of Grants Posting Media: Awards of Grants	DR: 461.1 Unobligated Allowances 1,000,000 CR: 465 Unliquidated Obligations 1,000,000	
3. Advance of Funds from Program Appropriation to Grant Management Fund. Journal Voucher SF-1017G (First month advance Estimated at \$70,000 and each Of the next two months at	DR: 120.1 Advances to Other Govt. Agencies 170,000 CR: 101.1 Disbursing Funds Disbursements 170,000	DR: 101.5 Disbursing Funds, Grant Mgmt Fund Receipts \$170,000 CR: 271 Advances from other Government Agencies 170,000
4. Letter-of-Credit Vouchers Posting Media: SF-218 Payment Voucher on Letter-Of-Credit or SF-1166, Voucher And Schedule of Payments		DR: 121.5 Advances to Private Concerns - GMF 150,000 CR: 101.1 Disbursing Funds Disbursements 150,000
5. Establish Monthly Accrual (Repeat each month in the Qtr - \$50,000 each month) Posting Media: JV SF-1017G based on forms SF-218 rcvd. Accruals for grants funded through the NIH-GMF will be based on monthly estimates prepared by computer.	a. DR: 601.2 Expense - General 150,000 CR: 251.3 Accounts Payable - GMF 150,000 b. DR: 465 Unliquidated Obligation 150,000 CR: 471 Expended Funds 150,000	

LETTER -OF-CREDIT PRO-FORMA ENTRIES (continued)

<u>Action</u>	<u>Program Appropriation</u>	<u>Grant Management Fund</u>
6. Individual Qtry Expenditure a. DR: 251.3 Accounts Payable - Reports from Grantee by GMF \$ 150,000		DR: 271 Advances from Other Govern-
Program - or combined reports CR: 120.1 Advances to Other PHS-4858-1 Government Agencies 140,000		ment Agencies \$140,000
		CR: 121.5 Advances to Private Concerns 140,000
	CR: 601.2 Expense - General (Adjustment of Accrual to Actual) 10,000	
	ALSO	
	b DR: 471 Expended Funds 10,000	.
	CR: 465 Unliquidated Obligations 10,000	

"T" ACCOUNTS
PROGRAM APPROPRIATIONS

101.1 DISBURSING FUNDS - DISBURSEMENTS

(1) \$ 10,000		\$ 170,000 (3)
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120.1 ADVANCES TO OTHER GOVT AGENCIES

(3) \$ 170,000		\$ 140,000 (6a)
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601.2 EXPENSE - GENERAL

(3a) \$ 150,000		\$ 10,000 (6a)
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251.3 ACCOUNTS PAYABLE - GMF

(6a) \$ 150,000		\$ 15,000 (5a)
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461.1 UNOBLIGATED ALLOWANCES

(2) \$ 1,000,000		\$10,000,000 (1)
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465 UNLIQUIDATED OBLIGATIONS

(5b) \$ 150,000		\$ 1,000,000 (2)
		20,000 (6b)

471 EXPENDED FUNDS

(6b) \$ 10,000		\$ 150,000 (5b)
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ACCOUNT BALANCE

	DR	CR
101.1 DISBURSING FUNDS - DISBURSEMENTS	\$ 9,830,000	
120.1 ADVANCE TO OTHER GOVT AGENCIES	30,000	
601.2 EXPENSE - GENERAL	140,000	
251.3 ACCOUNTS PAYABLE - GMF	-	\$ --
461.1 UNOBLIGATED ALLOWANCES		9,000,000
465 UNLIQUIDATED OBLIGATIONS		860,000
471 EXPENDED FUNDS		140,000
	\$10,000,000	\$10,000,000

**SF-133, REPORT ON BUDGET STATUS
PROGRAM APPROPRIATION**

1. Accounts - To facilitate preparation of Form SF-133, accounts will be maintained as follows:

101.1 Disbursement Funds - Appropriation
101.2 Disbursement Funds - Disbursements
120.1 Advances to Other Government Agencies
601.2 Expense
251 Accounts Payable - Grants Management Fund
461 Unobligated Allowance (Limitation)
465 Unliquidated Obligations
471 Expended Funds

2. SF-133, PREPARATION (See Exhibit)

Line 1A Debit balance of account 101.1 Disbursing Funds
- Appropriation (amounts posted from Treasury
Appropriation Warrants).
Line 6 Same as Line 3A.
Line 7 Balance of account 601.2 - Expense - General.
Line 8B Balance of account 465 - Unliquidated
Obligations - (Undelivered Orders)
Line 9 Balance of account 461 - Unobligated
Allowance (limitation)
Line 10A Sum of lines 9 and 10.
Line 13A Sum of accounts 465 - Unliquidated Obligations,
and 13C plus account 251 - Accounts Payable, minus 120.1
- Advances to Other Government Agencies.
Line 14 Sum of account 471 - Expended Funds or the net
of accounts in 101 exclusive of the
appropriation warrants.

NOTE: This exhibit identifies the accounts involved only in this example and is not intended to exclude anticipated and actual reimbursements, unobligated balances brought forward and such other actions appropriate for inclusion on the SF-133.

**"Standard Form 133, Report on Budget Status
Obligation Basis - Program Appropriation"**

**THE FILLED-OUT EXAMPLE OF THIS FORM
IS NOT AVAILABLE IN ELECTRONIC FORMAT**

"T" ACCOUNTS
GRANT MANAGEMENT FUND

<u>101.5 DISBURSING FUNDS - GRANT MANAGEMENT FUND</u>		<u>271 ADVANCES FROM OTHER GOVERNMENT AGENCIES</u>	
(3)	\$ 170,000	(6)	\$ 140,000
			\$ 170,000 (3)
<u>101.1 DISBURSING FUNDS - DISBURSEMENTS</u>		<u>121.5 ADVANCES TO PRIVATE CONCERNS - GMF</u>	
	\$ 150,000 (4)	(4)	\$ 150,000
			\$ 140,000 (6)

ACCOUNT BALANCE

	<u>DR</u>	<u>CR</u>
101.5 DISBURSING FUNDS - GRANT MGMT RCPTS	\$ 170,000	
101.1 DISBURSING FUNDS - DISBURSEMENTS		\$ 150,000
271 ADVANCES FROM OTHER GOVT AGENCIES		30,000
121. ADVANCES TO PRIVATE CONCERNS - GMF	<u>10,000</u>	
	\$ 180,000	\$ 180,000

**SF-133, REPORT ON BUDGET STATUS
GRANT MANAGEMENT FUND**

1. Accounts - To facilitate preparation of Form SF-133, accounts will be maintained as follows:

101.5 Disbursement Funds -Grant Mgmt Rcpts(dr. bal):

101.1 Disbursement Funds -Disbursements (cr. bal)

121.5 Advances to Private Concerns GMF

271 Accounts FROM Other Government Agencies

The disbursing accounts can be maintained at a control level only - this, however, will result in the net amounts which will require analysis to produce the SF-133.

2. SF-133, PREPARATION (See Exhibit)

Line 3A Debit balance of account 101.5 Disbursing Funds - GMF Receipts (amounts posted to this account represent advances from the various program appropriations - Posting Media - SF-1017G, Journal Voucher).

Line 6 Same as Line 3A.

Line 9 Debit balance of account 121.5 - Advances to Private Concerns - GMF Receivable (Posting Media - SF-218, Payment Voucher on Letter-of-Credit).

Line 11 Debit balance of account 101.5 - Disbursing Funds - GMF Receipts minus credit balance account 101.1 - Disbursing Funds - Disbursements.

Line 12 Line 9 plus 11 (must equal amount shown on line 6).

Line 14 advances to a management fund not disbursed at the end of an accounting period are shown as a negative amount. Disbursements in excess of advances are shown as a positive amount. Net disbursements will, therefore, be obtained by subtracting the net of 101.5, Disbursing Funds-Grants Management Receipts from the net of 101.1, disbursing Funds-Disbursements. When the net of the program agencies and the GMF are brought together, the difference will reflect net disbursements to the Government as a whole.

**"Standard Form 133, Report on Budget Status
Obligation Basis - Management Fund"**

**THE FILLED-OUT EXAMPLE OF THIS FORM
IS NOT AVAILABLE IN ELECTRONIC FORMAT**